[COMMITTEE PRINT]

SUMMARY OF TESTIMONY ON PROPOSALS FOR FINANCING THE INLAND WATERWAY SYSTEM

PREPARED FOR THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

BY THE STAFF OF THE

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AND THE

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I. INTRODUCTION

This pamphlet presents a summary of the prepared statements at the public hearings held by the Committee on Ways and Means, July 21–22, 1977, on the subject of revenue aspects of financing inland waterways.

The public testimony is organized in the following order: (1) Administration testimony; (2) Congressional testimony; and (3) other public testimony. In addition, statements submitted for the record and received by the Committee by Friday, July 22, are also summarized.

The summary of testimony was prepared with the assistance of Louis Allan Talley, Economics Division, Congressional Research Service, and Carol Hill, Ways and Means Committee staff.

II. SUMMARY OF PUBLIC TESTIMONY

A. Administration Testimony

Hon. Brock Adams, Secretary of Transportation (July 21)

States that the President feels very strongly that there should be an effective and equitable system of waterway user charges enacted by the Congress. Maintains that commercial users of the waterways system receive substantial benefits from Federal expenditures, while the full burden of those expenditures falls on the general taxpayer.

Believes that user charges should recover a "substantial level" of the government's total costs on waterway projects—suggests that this should be 100 percent of operating and maintenance costs associated with navigation and at least 50 percent of the costs of new construction. Indicates, however, that user charges of this magnitude would have to be phased in, such as over a period of 10 years.

Comments that an acceptable alternative to the user charges contemplated in the Senate-passed version of H. R. 5885 would be to also impose a fuel tax at some modest level in addition to whatever user charges and fees that would be developed. Notes that another alternative would be to rely entirely on the fuel tax mechanism, with a phasein period of up to 10 years. Expresses a preference for combination of various charges plus a fuel tax.

Hon. Lawrence N. Woodworth, Assistant Secretary of the Treasury for Tax Policy (July 21)

Outlines several alternative methods of implementing waterway user charges, including an excise tax on diesel and residual fuel oil used by inland waterway vessels and a system of waterway tolls and lockage fees (such as on a per ton-mile basis). Points out that a fuel tax could be imposed along with a segment toll and lockage fee mechanism, with the fuel tax representing an average contribution desired from commercial users and the specific charges tailored to reflect additional costs associated with specific waterway projects.

Indicates that the Administration's program calls for taxes and/or fees covering all of the maintenance and operating costs and half of the capital costs (based on the prior year's expenditures) of the shallow draft inland waterways. Notes that Corps of Engineers' expenditures for these waterways amounted to $211 million in fiscal 1977 for operating and maintenance costs, and that half of the capital costs were $139 million, for a total of $350 million. Estimates that this would be equivalent to a tax on diesel fuel of about 40 cents a gallon for inland waterway vessels. Comments that it might be desirable to impose such costs on the users over a period of years.

States that while a trust fund often is considered a guarantee that user charges will be utilized for the benefit of those taxes, this does not appear to be a valid argument when user charges are not expected to cover all costs. Sees no benefit from the extra recordkeeping resulting from the use of a trust fund in the case of waterway user charges that would not cover the system costs. Comments that an annual report on user revenue and the related expenditures can provide the necessary information for congressional review of the system. Endorses the concept of further study of waterway user charges and the allocation of costs among the various users of the waterway system included in title III of H.R. 8309.

B. Congressional Testimony

Hon. Bill Alexander, Member of Congress, Arkansas (July 21)

Notes that Arkansas is particularly dependent upon the transportation provided by the Mississippi and Arkansas Rivers. Believes that this is not the appropriate time to consider waterway user taxes. Asserts that there is not yet a full awareness of the effects of alternate policies nor how taxation will affect the competitive condition of the waterway transportation system.

Feels that this issue should await the report of the National Transportation Policy Study Commission that is presently studying the national transportation needs and is scheduled to issue a report to Congress by December 31, 1978.

Hon. Berkley Bedell, Member of Congress, Iowa (July 21)

Indicates that the government policy of providing an inland waterway system free of user charges has proven successful, but that time has come to reassess this policy. States that these waterways have greatly facilitated commercial water tranport; however, feels that there is no longer any justification for Federal subsidies for waterway traffic. Considers it time to insure a balanced Federal transportation policy which is equitable for all forms of commercial transportation and fair to the general taxpayer. Maintains that water transportation should join air and highway users in contributing to transportation costs.

Believes that this policy should include a user fee program. Indicates that his bill would impose a 2-cents-a-gallon fuel tax, plus additional charges for the use of the government-provided facilities; and it would require the users to pay approximately 50 percent of both the cost of construction and maintenance of the inland waterways. These fees would be phased in over a 10-year period, with the charges to be set by the Secretary of the Army only after a 10-month period to study the situation and promulgate regulations.

Proposes, alternatively, that the recovery of Federal costs be made starting with a 5-percent recovery in the first year and increasing by 5-percent increments until reaching 25 percent by the fifth year. Suggests an initial 2-cents-a-gallon fuel tax, with 1-cent increases each year until reaching 6 cents a gallon in the fifth year. Recommends that, prior to the fifth year, the Administration be required to present rec-

ommendations as to future user charge levels and types of charges to be imposed to supplement the fuel tax.

Hon. Robert W. Edgar, Member of Congress, Pennsylvania (July 21)

Supports the establishment of a waterway user charge or tax to recover 100 percent of operating and maintenance costs and 50 percent of construction costs. States that the barge industry is the only transportation mode that does not contribute to the cost of its right of way. Suggests a combined user tax/user charge approach, but would support just a user tax at the present time.

Hon. Jim Leach, Member of Congress, Iowa (July 21)

Believes that it is reasonable to ask those who receive direct benefits from river transportation to help absorb the cost. Does not feel that it is fair to assess water transportation more than other modes of transportation.

Indicates that his bill is based on a study by the Iowa Department of Transportation of water transportation on the Mississippi River. Reports that this study indicates that since the trucking industry pays for about 43 percent of basic highway costs, the barge industry should also pay a similar 43 percent of cost. Suggests a 3-cents-a-gallon fuel tax combined with a $32 lockage fee, which would raise an estimated $75-$100 million annually. Comments that such a user charge mechanism would not impose a disproportionate burden on barge traffic on the less expensive unlocked portions of the inland waterway system.

Agrees with the feeling that a ton-mile or cargo value charge approach would be difficult to administer. Considers a lockage fee easy to administer since the Corps of Engineers currently has standard operating procedures necessary to implement a lockage fee. Feels that pleasure craft should be excluded from any new user fees, as the lock and dam system is designed primarily for commercial vessels. Notes that recreational boaters already pay State licensing fees, a Federal gasoline tax, and a State gasoline tax.

Hon. Harold L. Volkmer, Member of Congress, Missouri (July 21)

Supports the concept of user fees for river transportation. Asserts, however, that further study is needed of all government waterway facilities before congressional action is taken on possible waterway user charge alternatives.

Indicates that imposition of a fuel tax would seem to be an agreeable solution at this time as long as it is not a prohibitive amount.

Hon. Doug Walgren, Member of Congress, Pennsylvania (July 21)

Expresses opposition to the imposition of user charges on the inland waterways, and also to the tying of such user charges to the authorization of Locks and Dam 26. Maintains that there is not sufficient knowledge of the potential adverse economic impact on regions such as the Pittsburgh area. Points out that the Tri-State area involves heavy reliance on river transportation. Asserts that waterway user charges would raise the cost of barging for steel transport and cause economic harm to Pittsburgh industry and result in giving foreign steel producers a further competitive advantage over domestic steel producers.

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C. Other Public Testimony

Association for the Improvement of the Mississippi River (July 21):

Jack A. Kirkland, Director, Department of Transportation, State of Missouri

Asserts that a user charge would be passed through to the public. Does not believe that the impact of a user fee has been substantively projected or anticipated. Questions how the user charge will affect all transportation modes and the differential impact upon cities and in various regions of the country.

Recommends a small user fee be assessed to establish the principle. Calls for a study during the early stages of user fee imposition to determine its economic impact.

Clemens A. Poelker, Jr., Traffic Commissioner, Merchants Grain Exchange, St. Louis, Mo.

Believes a user tax on waterways would be detrimental for agricultural commodities competing in foreign markets. Asserts that if a user fee is imposed either the producer will have to take less money or that the Government will have to subsidize export agricultural commodities in the world market.

Feels that a user fee should not be imposed, but if one is passed recommends further studies so that equity will govern and equal treatment be given all modes of transportation.

Clyde H. Wiseman, Jr., Secretary, Association for the Improvement of the Mississippi River

States that there are other beneficiaries of the inland waterway system and the locks and dams besides commercial barge traffic. Does not believe that the fee system places a value on these other social and economic benefits. Asserts that new job projections for St. Louis have been made without waterway fees and fears economic impact on future employment opportunities. Claims that the impact of a segmented user fee would be disastrous.

Suggests that if the committee recommends the imposition of a tax that it be maintained at the level of initial enactment until further economic impact studies.

American Rivers Conservation Council, Howard Brown, Executive Director (July 21)

Believes that the large Federal subsidy for inland waterways creates great pressure to build new waterways on an already over-built waterway system and that tax equity is not served as the taxpayers of one region subsidizes the waterway transportation system of other regions.

Asserts that a commercial navigation charge would result in wise waterway planning as only economically justified improvements would be made in turn minimizing river damage to waterway ecosystems. States navigation projects have been shown not only to be environmentally disruptive but also increase river flood stages. Strongly endorses the enactment of some form of waterway user charges.

United States Gypsum Company, Harry D. Gobrecht, Director, Transportation and Physical Distribution (July 21)

Believes that traffic diversion figures by both waterway and railroad interests are grossly inflated. Feels that user charges will have little detrimental effect on unit costs for either industry or consumers. Contends that the removal of waterway subsidies will permit railroads to compete on a "more equal" footing.

Calls for prompt Congressional action on both the Locks and Dam 26 and waterway user charge questions. Opposes fuel tax charges or other charges based on any system-wide type of assessment. Favors a segmented type of user charge.

Hardy Salt Company, St. Louis, Mo., Lewis T. Hardy, Executive Vice President (July 21)

Feels fiscal responsibility in government dictates, with a growing national debt, that efforts be made to recover amounts spent on transportation facilities through user fees. Contends that the continual subsidization of barge transportation is unfair on the basis of tax equity.

Maintains that commercial facilities should be paid for out of the profits of those who use it and expresses concern that under the current complete subsidy system that demands are not always for logical capital investments. Calls for 100 percent recovery of new construction costs from waterway users.

Believes that no additional funds should be appropriated for commercial waterway purposes until appropriate fair and equitable user charges are legislated. States that it is most logical and fair to assess user charges for operating and maintenance costs on a segment basis rather than on a system-wide basis.

Delta Queen Steamboat Company, William Muster, Member, Board of Directors (July 21)

Requests an exemption for the Delta Queen and the Mississippi Queen from any waterway user tax by adopting a provision such that only cargo vessels be taxed. Expresses concern that if a waterway user charge does not exempt passenger vessels that the Company would have to raise rates and could conceivably be forced out of business.

National Committee on Locks and Dam 26 (July 22):

Clell Carpenter, Vice President, Mid-Continent Farmers Association

Strongly urges authorization of a new Locks and Dam 26, and stresses the major economic impact which Congressional inaction and subsequent possible failure of this vital agricultural transportation system could cause. Supports a fuel tax not exceeding 4 cents a gallon due to the urgency of replacing Locks and Dam 26. Opposes a user fee based on cargo value, a 64 cents a gallon fuel tax advocated by railroads, as well as a 42 cents-a-gallon fuel tax suggested by the Secretary of Transportation. Emphasizes importance of river transport in grain shipment and farm exports' significant contribution to the American

economy. Favors adoption of Title III of H.R. 8309, providing for a study of transportation charges, but suggests inclusion of all modes of transportation in the study.

J. W. Hershey, President, National Waterways Conference, Inc.

Contends that a user tax would discriminate against inland ports and subject some ports to taxation while exempting other ports similarly situated. Feels that tax policy should seek equity between the waterway and railway systems. Criticizes Congressional Budget Office (CBO) report for failing to include all rail subsidy programs in its analysis. Contends that Federal railroad investments exceed those in navigation. Suggests that complete cost recovery policy is not appropriate because benefits derived permeate the entire economy and other programs which do likewise are not subject to cost recovery. Hopes that consideration will be given to the existence of State use taxes and the possibility of multiple taxation. Asks Congress to proceed cautiously and make no long-term commitments until the overall impact of a user tax has been determined.

Peter J. Brix, President, Knappton Towboat Company, Portland, Oregon and John W. Lambert, President, Twin City Barge & Towing Company, Saint Paul, Minnesota

Warn that a user tax will be paid by shippers, consumers and the public, not the industry. If user tax is inevitable, would not oppose a reasonable fuel tax applicable to all modes of transportation. Opposes Senator Dominici's approval because of the bureaucracy it will create, its devastating effect on water transportation costs and the arbitrary discretionary powers it gives the Secretary of Transportation. Suggests an across-the-board fuel tax for rail as well as water transportation as an equitable means of serving the interest of fiscal responsibility and balancing the varied interests of the segments of the transportation industry and the regions of the country.

American Waterways Operators, Frank T. Stegbauer, Chairman, Board of Directors (July 22)

Emphasizes the freedom to enter the industry because navigable waters are common property of all citizens and investments are enhanced by toll-free policy. Endorses Title III of H.R. 8309, and asks that no sudden change in policy be made without studying the effects. Objects to imposition of waterway user tax when railroads have no such tax. If a tax is deemed necessary, recommends it apply equally to all modes at a low level and at the end of a three-year study the matter be reopened for a review of the findings. Feels that the present tax proposals threaten those inland waterways competing with non-taxed pipelines and offshore tankers. Asks that all considerations be carefully weighed to avoid discrimination among transportation modes.

Association of American Railroads: William H. Dempsey, President (July 22)

Feels that the railroads have repaid their government aid through reduced rates and special taxes, but the waterways have not. Contends that this "free ride" is unfair to competitors and also contributes to

unsound investment decisions. Promotes imposition of a user charge system to garner full recovery of all costs of construction, operation and maintenance of the waterways. Computes this would amount to a uniform toll of 3 mills per ton mile or a fuel tax of 64 cents a gallon. Alleges that the 4 cents-a-gallon tax the users are willing to pay is trivial, amounting to only 6 percent of the government expenditures on waterways, and serves no purpose except to delude the public. Supports a phasein of a combination fuel tax and other charges covering the full amount of waterway system costs.

Transportation Institute, Herbert Brand, President (July 22)

Strongly urges the Committee to delay action on user charge legislation until such time as the need for and impact of such a tax is carefully analyzed. Believes question of waterways user charges should be decided on its own merits and not tied to reconstruction of Locks and Dam 26.

Iowa Department of Transportation, Joseph A. Kennedy, Director, River Transportation Division (July 22)

Recommends the assessment of user fees on commercial users but not on recreational boaters. Suggests waterway user fees be based on a combined fuel tax and lockage fee charge.

Reports that Iowa's analysis indicates that such a user fee system would cause a 3–4 percent increase in barge rates, using a 43-percent recovery cost—a percentage comparable to that paid by the trucking industry.

Waterways Association of Pittsburgh, Robert Scatterday, President (July 21)

Expresses concern about the impact of a waterway user tax on the economy and jobs around Pittsburgh. Asserts that an additional tax would further fuel inflation.

Contends that studies performed have taken little or no comprehensive national considerations or concern about regional impacts on people, their jobs, and the drastic relocation of huge basic industries. Feels that user charges would act as a reverse tariff on domestic steel.

Believes that the best policy would be no waterway user charge. If this is not possible, considers the preferred alternative to be a fuel tax of no more than 4 cents a gallon on both waterways and railroads. Urges that any tax contain a termination date so that congressional reassessment be assured.

III. SUMMARY OF STATEMENTS SUBMITTED FOR THE RECORD

American Farm Bureau Federation, C. H. Fields, Assistant Director, National Affairs

Supports efforts to replace Locks and Dam 26, which is considered of vital importance to the agricultural industry. Favors reasonable user fees as a means of achieving a balanced transportation system and assuring future funding for the waterway system. Recommends imposition of a user fee to be placed in a fund similar to the Highway Trust Fund. Also suggests that the amount collected should be no more than 50 percent of the annual construction costs plus no more than 50 percent of the costs of operation and maintenance. Urges that the expenditure for Locks and Dam 26 project be given priority. Proposes that the user fees be reviewed occasionally to assure no undue hardship is caused the water transportation industry. Prefers congressional determination of type of user fee to administrative rulemaking procedure.

National Grain and Feed Association, Alvin E. Oliver, Executive Vice President

Fears that significant changes in the waterways' cost structure or availability may adversely affect U.S. export crop production which in turn harms the national economy and the worldwide food situation. Supports continued Federal funding of the waterways but realizes the need for additional revenue sources and promotes user charges to fill this gap only if they are equally applicable to all modes benefiting from the funding. Advocates adoption of user charges only after a complete study of all possible ramifications.

National Grange, John W. Scott, Master

Opposes user charge, but if it is imposed, believes that revenue derived therefrom should be placed in a trust fund to be used only for maintenance and construction of inland waterway facilities. Supports a comprehensive study of Federal transportation subsidies to include review of all Federal aid to all modes of transportation and evaluation of the impact of any alteration on the present system. Maintains that the issue covers a broad spectrum of national policy questions which must be seriously analyzed before the user fee question can be resolved.

National Industrial Traffic League, J. Robert Morton, President

Believes a reasonable user charge should be enacted but each waterway should be treated separately so that users on one segment are not burdened by costly improvements on another. Favors measuring the overall effect before proceeding with legislation. Opposes an across-the-board fuel tax as inequitable to users who do not benefit from costly projects.

International Ship Masters' Association of the Great Lakes, Roman G. Keenen, Grand Secretary

Opposes user tax because the abandonment of the traditional free use of waterways policy will harm the marine industry and the country.

American Road and Transportation Builders Association, Daniel J. Hanson, Sr., Executive Vice President

Favors both waterway user charges and reconstruction of Locks and Dam 26 at earliest possible date. Emphasizes the need to fully exploit all transportation capabilities to keep pace with projected demand. Feels that solution to the problem of sections of the industry being unduly disadvantaged by subsidies is to reduce subsidies to a minimum. Suggests charges be imposed gradually to alleviate major economic difficulties and charges be applied on a system-wide rather than a segmented basis. Recommends 4¢ per gallon fuel tax as most equitable.

United Purchasers Association, Fred McKim, President

Opposes expansion of barge navigation on the Mississippi by reconstructing Locks and Dam 26. Believes it is inequitable for the government to subsidize barge transportation when private investments are necessary to maintain the service of the Rock Island Railroad. Feels that 100 percent recovery of cost of maintenance and operation of waterways and 100 percent cost recovery of new capital construction, a portion collected before start of construction, is a step toward achieving a balanced transportation system.

Isaak Walton League of America, Maitland Sharpe, Environmental Affairs Director

Agrees that commercial navigation charges are long overdue to recover from direct beneficiaries the full costs. Urges recovery of full costs on a segmented basis with exemption for small recreational craft and return of all funds to the general treasury. Supports Rooney proposal to phase-in receovery of 100 percent over 5 years in 20 percent increments and feels its inherent flexibility is compatible with a wide variety of collection mechanisms. Criticizes 4¢ per gallon fuel tax as nominal and cosmetic, doing nothing to correct the problems.

Mon Yough Chamber of Commerce (Pennsylvania), Arthur Parker, Executive Vice President

Protests proposed users tax because of the serious effect it would have on economy, especially the job market in the Pittsburgh area which relies heavily on river transportation as an economical means of moving its goods.

American Association of Port Authorities, Richard L. Schultz, Executive Vice President

Promotes fuel taxes as the least destructive waterway user charges. Suggests a uniform tax on all modes and recycling of revenues through trust funds.

National Rural Electric Cooperative Association, Bradley R. Koch, Director, Energy and Environmental Policy Dept.

Support reconstruction of Locks and Dam 26 but is totally opposed to a user charge. Feels fee would unduly increase costs for consumers.

Believes a comprehensive study of the impact of a user fee should be conducted and used as a basis for modifying the subsidization of the transportation industry.

American Association of State Highway and Transportation Officials, Robert N. Hunter, President

Prefers user charge as the most equitable means of financing transportation improvements. Promotes collection of user taxes from all modes of transportation and placing revenues in modal trust funds. Suggests extending the Federal excise tax on highway fuels and the 5 percent Federal tax on aviation freight waybills to water and rail transportation.

Gillis W. Long, Member of Congress

Warns of the devastating effect a cost-recovery user charge would have on the waterway industry. Notes that Federal costs are fixed and increased rates would result in a decline in traffic thereby escalating rates. Concerned about effect of fee on water projects such as Red River Navigation Project. Suggests that benefits will decrease in relation to cost and project will no longer meet economic justification standards. Feels that imposition of user fees will serve no positive purpose but will have major inflationary impact at the expense of the American consumer.

Joe Skubitz, Member of Congress

Proposes a refined version of the legislation introduced in the 94th Congress, providing for a tax of one mill per ton mile on waterway cargo and lockage fee of $25 per vessel. Indicates the revenues collected will be sufficient to meet construction and maintenance costs. Considers equity among the various modes to be of prime importance.

National Farmers Union, Reuben L. Johnson, Director of Legislative Services

Regrets user fee is a portion of this bill. Urges replacement of Locks and Dam 26 but resists imposition of waterway user fees. Calls for a balanced national transportation policy in the public interest. Observes the impossibility of identifying a sole beneficiary upon which to levy the user fee and promotes contributions from the general community through Federal subsidies. Asserts question of legality in regard to States entering the Union under charter of the Northwest Ordinance which declared navigable waters "forever free, without any tax, import or duty."

Bunge Corporation, Kansas City, Kansas, Norman Walker, General Traffic Manager

Concerned with development, maintenance and growth of a total transport system and suggests that the need for funding a replacement for Locks and Dam 26 cannot be delayed.

Arkansas Waterways Commission, Paul E. Adams, Executive Director

Believes that user charges in any form will have disruptive effects on investments, jobs, farm income, consumer prices, energy, trade relations and the general national economy. Opposes tax at this time until a determination of the impact can be made.

Quachita River Valley Association, Arkansas and Louisiana, H. K. Thatcher, Executive Vice President

States that any new financial burden would put their navigation interest out of business. Recognizes validity of cost-sharing but does not believe projects whose benefits are widespread can be equitably taxed on a local basis.

Midwest Association of State Departments of Agriculture, Robert H. Lounsberry, President

Supports replacement of Locks and Dam 26 as essential to agricultural economy. If inland waterway user fees are to be included in legislation asks that they be minimal, nondiscriminatory and easy to administer. Recommends fuel tax on maritime fuel.

National Council of Farmer Cooperatives, Kenneth D. Naden, President

Concerned over imposition of user fee because waterway transportation is a critical factor in farm income and in meeting world competition for sale of agricultural commodities. Urges refraining from action which might limit or restrict the inherent advantages of inland waterway transportation. Believes fuel tax premature in absence of a study of all the ramifications of a tax.

Michigan United Conservation Clubs, Thomas L. Washington, Executive Director

Strongly supports user fees because presently the inland waterways are fully subsidized by Federal tax monies but benefit only a few industries. Stresses the unfairness to competing modes of transportation, and a resulting absence of market constraints and inefficient resource allocation.

West Suburban, Humanist Society, Mrs. I. L. Mostek, Secretary, Lombard, Illinois

Believes repair instead of replacement of Locks and Dam 26 is the proper action. Feels user charges are long overdue and should be escalated over the years.

Snyder Molasses Company, Chicago, Illinois, David M. Wood, Secretary and Traffic Manager

Suggests the Department of Transportation be given the authority to develop the plan of user charges so that it is predicated on the proper formula and achieves full cost recovery.

Lee County Commission West Coast Inland Navigation District Okeechobee Waterway, Captain Ed Hansen, Harbormaster for the City of Ft. Myers

Opposes user tax as endangering the economy of Florida. Feels it would jeopardize the pleasure boat business, increase the cost of electricity and harm the shrimping industry. Concerned with the administrative burdens of a users tax.

Ohio Valley Improvement Association, Inc., Harry M. Mack, President

Urges user charge issue be set aside for careful analysis and be severed from the Locks and Dam 26 project. Suggests study consider the national and regional economic impact of levels and methods of tax, their effects on other water resource functions, probability of intermodal equity and consequences with respect to national policy objectives.